2 Uncommon Tax Breaks to Claim in Your 2021 Tax Return

Description

Tax season in 2020 was an oddball for everyone, because of the unprecedented event sending everyone reeling. Taxes were the last thing on many people's minds, as they tried to comprehend the situation the world was in due to the COVID-19 pandemic. Millions lost their jobs and were forced to stay home to remain safe from the novel coronavirus.

However, paying your taxes is a necessary duty, and Canadians did manage their taxes better due to the government's deadline delays. The government might not delay tax deadlines in 2021 for the 2020 income tax season. I would suggest beginning preparations to file your taxes early on so that you are well prepared by April.

I will also discuss some tax breaks on your income returns from the 2020 income year that you can consider. These two uncommon tax breaks can help you reduce the tax bill that the Canada Revenue Agency (CRA) gives you whenever tax season arrives.

Employment expenses

Self-employed professionals typically use work expenses to reduce their tax bills already. However, many Canadians don't realize that the commission-based and salaried workforce can also enjoy tax breaks on their income.

2020 saw many people working from home. If that was your case and you found yourself paying expenses to earn your income, you can deduct those costs from your tax returns. Perhaps you might have used more electricity or paid more for the internet due to work. You might have even had to make changes to your workspace at home to accommodate for a better working environment.

If your employer did not compensate you for these expenses, you should consider keeping all the receipts and using those expenses to reduce your tax bills.

Interest paid on student loans

It is unfortunate, but many people might still find themselves paying off their student loans. If you received your student loan under the Canada Student Loans Act, there are a few interest payments that you can deduct from your tax returns. Student loans received under the Canada Student Financial Assistance Act or similar provincial or territorial government law also qualifies you for the tax break.

The tax break does not apply to interest paid on lines of credit or personal loans, even if you used the money for education. Additionally, interest paid on student loans from another country does not qualify for the tax break. You can claim the interest paid for student loans in the tax deduction for the current tax year, going back as far as interest paid in the last five years.

Offsetting your tax bill with dividends

Using these uncommon tax breaks is an excellent way to reduce your tax bill. Another way to offset your out-of-pocket expense for paying your taxes is by using your Tax-Free Savings Account (TFSA).

Investing in a portfolio of reliable dividend-paying stocks like **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) in your TFSA can help you offset your tax bill and generate tax-free passive income for you.

Brookfield Renewable can be an excellent income-generating asset to consider for your short- and long-term financial goals. Brookfield is a consistent market-beating stock that can generate reliable passive income in your TFSA through its dividend payouts. The stock can supplement your account balance through its dividends, allowing you to offset your out-of-pocket expenses for the tax bill.

Additionally, Brookfield is an excellent growth stock. As renewable energy demand grows, companies like Brookfield Renewable will be well positioned to make the most of the growing industry. The stock is trading for $54.95 per share at writing, paying its shareholders at a decent 2.74% dividend yield. While it might not have the highest payouts, the stock can provide you with immense growth in the long run.

Foolish takeaway

Canadians can use all the help they can get when it comes to their taxes. The CRA loves collecting taxes, but it also provides you with several ways to reduce your tax bill. Use these tax breaks to minimize your tax bill and use a portfolio of dividend-paying stocks to offset your tax expenses through tax-free passive income. Brookfield Renewable could be an excellent way to begin building such a portfolio and also drive your wealth growth for the future.

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2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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